

From: "Lonnie" <lecsbcmn@frontiernet.net> on 04/19/2004 06:50:08 PM
Subject: Economic Growth and Regulatory Paperwork Reduction Act of 1996 Review

From: Lonnie E. Clark

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342 Main Avenue

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RE: EGRPRA Review of Consumer Protection Lending Related Rules

Dear Sir/Madam:

Small Bank awash in Regulations

Yes, it was a very good idea to ask bankers about outdated and excessive regulations. Thank you very much for this opportunity. We are a small community bank of under \$30 million. With less than 10 employees, it is almost impossible to stay up to date on all the existing laws and regulations, all the continuous changes to those laws and regulations, plus all the new ones coming out. Sometimes, it appears as if there is an effort to drive the smaller banks out of business, awash in all this regulation.

Less Frequency in Changes to Regulations and Forms

There are some onerous laws and regulations that tend to cause me the most concern. Even so, I almost didn't write this letter, out of concern that it could prompt changes to something even worse than what we have now. Every time a change is made, we have to rewrite our Policies and Procedures, Conduct Employee Training, and buy all new Forms. The fact that the laws and regulations are changing as frequently as they do, in itself is burdensome. Please consider the frequency of changes to the regulations, and then do not demand instant change. Give the banks time to adapt to all the changes. The government is actually doing a better job of that. I have noticed that and I appreciate it. What I would really like to see is a 5 year cycle, 4 years in which new laws and regulations could be proposed but not passed, and then 1 year to prioritize and implement only those laws and regulations with the most merit. Drop the rest. If you change a regulation for the purpose of making it easier for the banks, don't criticize the banks for not immediately converting to the simplified version. Give us more time to adopt new forms and procedures, and please don't change them as often.

Continue the Regulator – Banker cooperation

I am impressed when bank examiners point out regulatory issues and apparent violations, and actually assist bankers with helpful ways to comply. There seems to be an improvement in the attitude of regulators toward banks over the past years. This opportunity to comment is an example of that. Thank you. Please keep the partnership going.

I would like to address a few specific laws and regulations:

Call Report Disclosure of Cash on Hand in Banks

Years ago, when I completed the call report for our bank, the regulators were sensitive to the issue of not disclosing the actual amount of cash on hand at a bank. It was included in a total of "Cash and Due from Banks". Let's just say that the government didn't want to give a would-be bank robber a shopping list. Since that time the government has decided the need for public disclosure is more important than the safety of the smaller banks with only one location. Perhaps the number crunching people don't realize that some banks do not have multiple branches. I strongly object to this public disclosure. I would not object to the number being put in a non-public area of the Call Report.

Two Year Exam Cycle

I agree with those proposing a 2 year exam cycle.

Balloon Real Estate Loans under RESPA

Many small banks make 3 or 5 year fixed rate balloon loans to finance real estate. We lack dependable longer term fixed rate liabilities to match up against these assets. In many cases, we refinance the balloon balance of the loan for the customer at a new fixed interest rate at maturity. We pass on the \$20 filing fee to the customer, to extend the mortgage. Truth in Lending applies to these loans. There is just no need for any additional disclosure on that type of loan. RESPA should not apply. It is extra wasted effort. Banks are filling a very important need in the market with these loans. They should not be burdened with RESPA on them.

Credit Life and Disability Insurance and HOEPA

Truth In Lending does not include Credit Life and Disability premiums in the Finance Charge, when they are properly disclosed. HOEPA should not either. Small banks want to avoid becoming a HOEPA Lender because the disclosures are too difficult. Another reason is that it throws a red flag to regulators for possible predatory lending. There are times that Credit Life would be appropriate on these loans, but banks will not offer it, because of HOEPA. A customer that may qualify for Credit Life or Disability insurance because of the Group Policy may not qualify individually for that type of insurance. They may have lost their only opportunity for that coverage because of HOEPA. Predatory lending is wrong. Including Credit Life and Disability Insurance premiums in finance charge, to determine if HOEPA applies, is also wrong.

Information for Government Monitoring Purposes on Real Estate Loans for Dwellings

Sometimes we have to get it by law and sometimes we are prohibited from getting it by law. Make up your mind, and either require it on all Real Estate Loans for Dwellings, or don't require it on any.

Sincerely,

Lonnie E. Clark

President